



Trends January 2018

Growing consumption amidst modest macro-numbers. Rising steel prices. Buoyant market sentiments and PMI figures. Thrust on infrastructure development and focused approach on policies to drive industry growth. A stable global economy and steel industry.
The Indian Steel Industry entered the New Year with a new elan.

WORLD ECONOMY AT A GLANCE

- At 54.4 in January 2018, the J.P. Morgan Global Manufacturing PMI indicated a robust start to 2018, as reported by Markit Economics in their monthly report.
- Further, as the report indicates, global growth continued to be broad-based, spread over consumer, intermediate and investment goods industries and across almost all of the nations covered by the survey.
- Amongst major nations/regions surveyed, the Euro area remained the core engine of global manufacturing expansion during January 2018 with robust expansion rates reported across all the nations within the zone. On the other hand, the US PMI improved to a 34-month high and Asian manufacturing was led by Japan, India, China, Taiwan, Vietnam, Thailand and Myanmar. South Korea returned to growth following a minor contraction at the end of 2017.
- January 2018 saw expansion in job creation as employment rose in almost all of the nations covered excepting China, Indonesia, South Korea, Russia and Thailand and rise in input prices and output charges, both.

Key Economic Figures			
Country	GDP Q3 2017: % yoy change*	Manufacturing PMI	
		December 2017	January 2018
India	6.3	54.7	52.4
China	6.8	51.5	51.5
Japan	2.1	54.0	54.8
USA	2.3	55.1	55.5
EU 28	2.6	60.6	59.6
Brazil	1.4	52.4	51.2
Russia	1.8	52.0	52.1
South Korea	3.8	49.9	50.7
Germany	2.8	63.3	61.1
Turkey	11.1	54.9	55.7
Italy	1.7	57.4	59.0

Source: GDP: official releases; PMI- Markit Economics, *provisional

GLOBAL CRUDE STEEL PRODUCTION

World Steel Association data shows that world crude steel production for January 2018 was 139.44 million tonnes (mt), up by 0.8 per cent year-on-year (yoy) i.e. over January 2017.

World Crude Steel Production: January 2018*			
Rank	Country	Qty (mt)	% change
1	China	67.00	-0.9
2	Japan	9.030	0.3
3	India	9.028	2.5
4	United States	6.82	-2.2
5	Russia	5.70	-3.9
6	South Korea	6.12	2.7
7	Germany	3.70	1.6
8	Turkey	3.17	7.5
9	Brazil	2.87	1.4
10	Ukraine	2.10	-0.1
	Top 10	115.54	-0.2
	World	139.44	0.8
Source: worldsteel, JPC; over last year;* provisional			

- China produced 67 mt of crude steel in January 2018, down by 0.9 per cent over January 2017 and remained the largest crude steel producer in the world, fuelling world production, which, excluding China, was up by 2.5 per cent. China accounted for 71 per cent of Asian and 48 per cent of world crude steel production during this period.
- January 2018 Japanese crude steel production (9.03 mt) was up by 0.3 per cent. The country remained the second largest crude steel producer in the world in the opening month of 2018.
- With a 6 per cent share in total world production and a 2.5 per cent rise in production over same period of last year, India remained the third largest crude steel producer in the world in January 2018, its 9.028 mt production level marginally close to Japan's 9.03 mt.
- Crude steel production in the EU (28) countries during January 2018 was at 14.39 mt, up by 1.4 per cent yoy.
- At 95.05 mt, Asian crude steel production was up by 0.3 per cent in January 2018. Asia accounted for 68 per cent of world crude steel production during this period.
- The top 10 countries accounted for 83 per cent of total world crude steel production in January 2018 but saw production decline by 0.2 per cent during January 2018 over January 2017.

NEWS AROUND THE WORLD

THE AMERICAS

- The United States Commerce Department has initiated an investigation into alleged dumping and subsidization of large-diameter welded steel pipe imports from six nations, Canada, China, Greece, India, South Korea and Turkey.
- The USA has announced hefty anti-dumping duties (ADD) on imports of wire rod from South Africa and Ukraine, with final duties for the former set as high as 142.26%.
- The USA has also updated the dumping margins it applies to imports of welded line pipe from South Korea, as well as declaring that imports of cold-drawn mechanical tubing from China and India cause material injury to domestic US producers.
- ArcelorMittal's Acindar, Argentina's largest long steel producer, started operations at its commissioned 53,000 tpa grinding-ball mill in January 2018.
- Mexico has eliminated the countervailing duty (CVD) on imports of graphite electrodes for EAF from China and the UK.
- The Brazilian Foreign Trade Chamber, Camex has decided not to apply ADD against HRC imports from China and Russia.
- Gerdau has entered into a definitive agreement with Optimus Steel to sell its wire rod mill and two downstream facilities located in Texas, United States, for \$92.50 million.
- ArcelorMittal Mexico is to build a 2.5 mtpa HSM and a 0.65 mtpa hot skin pass mill at its Lázaro Cárdenas site in Michoacán, Southern Mexico, both planned to start up in 2020.
- Canada has decided that imports of line pipe from South Korea have caused injury to its domestic producers and is all set to impose ADD on the same.

ASIA

- As per a Platts report, the prevalence of toxic smog over parts of northern China has led Chinese authorities to raise their air pollution alerts to red from orange, the highest in a four-tier system.
- As per a MIIT update, China will continue its steel capacity elimination campaign in 2018 and work to meet the upper end of its 100 -150 mtpa target over 2016-2020 within 2018 itself.
- A report by Platts indicate that China's upstream steel capacity 'replacement' drive continues, with approvals granted by the Henan province for the construction of three new BF's with a combined 3.92 mtpa capacity and those of Hebei, Jiangsu, Liaoning and Guangxi announcing the approval of six more steel capacity replacements totalling to 11.92 mtpa of crude steel and 6.79 mtpa of pig iron capacity.
- Shanxi Jianlong Iron & Steel aims to commission its first CSM of 1.2 mtpa capacity in 2019.
- Representatives of several Chinese central government ministries and agencies will conduct inspections across many parts of the country during January-June of this year to ensure operators of induction furnaces have not secretly restarted production, as per a China Metallurgical News report.

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- The Korea Trade Commission has concluded a preliminary investigation into the import of China-origin galvanized wire during 2016, ruling that such imports were dumped and imposed temporary ADD of 4.43% to 15.71%.
 - China exported 3.2 mt of stainless flat steel in 2017, up 0.6% yoy, as per Chinese customs data.
 - China's CRC exports rebounded in 2017 and stood at 3.61 mt, up 10.6% yoy.
 - Posco Engineering & Construction has withdrawn its plan to work with Iran's Pars Kohan Diar Parsian Steel on the building of a 1.6 mtpa steelworks incorporating its Finex iron-making technology.
 - Pakistan's Mughal Steel is planning to increase its rebar production capacity to 420,000 tpa from the existing 150,000 tpa.

RUSSIA, MID-EAST, AFRICA, AUSTRALIA

- Severstal has launched a new production line for polymer coated rolled steel products at its Cherepovets steelworks in Russia with a capacity of 0.2 mtpa of polymer coated steel and 0.4 mtpa of galvanized steel.
- Ukraine has introduced a 15.21% ADD on Russian rebar and wire rod for a period of five years.
- The Russian Industry and Trade Ministry has launched a state aid investigation to ascertain whether subsidies to the Kazakh steel industry comply with uniform industrial subsidies policies adopted in the customs union between Russia, Kazakhstan, Belarus, Armenia and Kyrgyzstan.
- Gulf Co-operation Council states have announced preliminary ADD at rates ranging from 30.50% to 103% on imports of seamless pipe products from China.

EU AND OTHER EUROPE

- A European Union anti-subsidy duty on imports of SS wire from India is due to expire on September 8, unless a review is initiated, the European Commission has reported.
- The European Commission has authorized the acquisition of certain Ascometal Industries assets by Schmolz + Bickenbach, according to a report by Platts.
- Voestalpine has received approval to build its pilot plant to produce hydrogen at its integrated steelworks in Linz and plans to begin test trials later this year.
- The international trade committee of the European Parliament has now endorsed the political agreement on the modernization of the EU's trade defense instruments in order to make them better adapted to the challenges of the global economy.
- Tunisia's Ministry of Trade and Industry has decided to increase custom duties for Turkey, including steel products, as of January 1, 2018.
- Turkey's second-largest alloy bar producer, Bursa-based Cemtas, has started production at its new continuous heat-treatment furnace via which it expects to raise its market share.
- Voestalpine has acquired Romanian coating company Barum Technik to extend its metal forming division.

[Source Credit: Metal Bulletin, Platts, leading news papers (India news)]

WORLD STEEL PRICE TRENDS

2018 started off on the same “high” note on which 2017 had ended, with global steel prices in general maintaining a northward move, led by a combination of factors including supply-demand imbalance, raw material price movements, impact of trade cases -all operating in the prevailing policy framework of individual nations. Ahead of the long and seasonal slowdown due to the New Year Festivities, the Chinese steel market saw limited activity that was also reflected in mild price movements. But the country continued full-steam with its capacity control measures and its announcement of stringent measures on scrap containments bolstered market sentiments.

Long Product

- US rebar prices remained near-static (\$620-640/t) in January 2018 but started the new year on a note higher than last year, building on price hikes witnessed in December 2017.
- Domestic European rebar prices moved north in January 2018 with the onset of the new year, recording higher offers on strong demand. Transactions, as per Metal Bulletin reports, were quoted around €560-580/t in Northern Europe and around €530-550/t in Southern Europe at month-end.
- China’s domestic rebar prices saw limited movement (largely northward though) in January 2018 as per Metal Bulletin reports, dampened by sluggish activities ahead of the Chinese New Year holidays. Transactions, as per Metal Bulletin reports, were quoted around 3,850-3,900 yuan/t (\$601-609) in Shanghai and around 3,900-3,950 yuan/t in Beijing.
- Russian rebar prices ended January 2018 on a modest note, their levels seeing mild rise due reportedly to export demand more than domestic one (winter conditions, largely). Metal Bulletin’s price assessment for Russian domestic 12mm A500C rebar was around 35,250-35,500 roubles/t cpt Moscow, including VAT.

Flat Product

- January 2018 HRC prices in the USA reported a straight northward move due to mix of factors including limited supply and a rise in demand, with transactions as per Metal Bulletin reports quoted around \$540-550/t.
- Limited supply and effect of trade measures pushed up HRC prices in the European market, with transactions, as per Metal Bulletin reported around €540-560/t (\$669-694) ex-w in Southern Europe and around €540-570/t ex-w in Northern Europe.
- January 2018 saw China’s domestic HRC prices weaken ahead of the festive holidays. Transactions, as per Metal Bulletin reports, were quoted around 4,070-4,100 yuan/t (\$643-648) in Shanghai and around 3,940-3,960 yuan/t in Tianjin.
- Russian flat-steel producers raised prices in January 2018, riding high on strong demand, with Metal Bulletin’s price assessment for Russian 4mm hot-rolled steel sheet being around 41,700-42,500 roubles/t (\$740-754) cpt Moscow including VAT, at month-end.

[Source Credit: Metal Bulletin]

SPECIAL FOCUS

India leads global DRI production in 2017

Global output of direct reduced iron (DRI) increased by 9.2 per cent year-on-year (yoy) in 2017 to 72.77 million tonnes, as per provisional data released by the World Steel Association (worldsteel). DRI production worldwide was driven by India, which remained the world's largest DRI producer, despite a decline in the country's output by 4.2 per cent yoy in 2017 to 25.86 mt. The country accounted for 36 per cent of the global production in 2017, down from the 40 per cent share of 2016.

The 2017 DRI output was also supported by significant contribution from Iran, which saw production (20.55 mt), rising by 28 per cent yoy in 2017, with the country accounting for 28 per cent of the global production in 2017, up by four percentage points compared to 2016. In fact, DRI-based steel production is the preferred method in Iran because the country has extensive reserves of both iron ore and natural gas and it is striving to expand its DRI capacity to feed its steel production expansion.

Mexico, the 3rd largest producer saw DRI output rising by 14 per cent yoy to 6.06 mt in 2017, with no change in global share. With relatively minimal production levels, Saudi Arabia and Egypt were the 4th and 5th largest DRI producers globally in 2017.

The Top 5 accounted for 85 per cent of global production in 2017, up one percentage point over 2016 and saw production going up by 10.3 per cent in 2017 over 2016.

World DRI Production*						
Rank	Country	2017 (mt)	2016 (mt)	% change	% share : 2017	% share : 2016
1	India	25.86	26.98	-4.2	36	40
2	Iran	20.55	16.01	28.4	28	24
3	Mexico	6.06	5.31	14.1	8	8
4	Saudi Arabia	4.8	5.12	-6.3	7	8
5	Egypt	4.57	2.62	74.4	6	4
	Top 5	61.84	56.04	10.3	85	84
	World	72.77	66.64	9.2	100	100

Source: worldsteel; *provisional

INDIAN STEEL MARKET ROUND-UP

The following is a report on the performance of Indian steel industry during April-January 2017-18 based on provisional data released by JPC.

Item	Performance Highlights		
	April-January 2017-18* (mt)	April-January 2016-17 (mt)	%yoy change*
Crude steel production	84.68	81.02	4.5
Total Finished Steel (alloy + non-alloy)			
Production for sale	88.37	84.12	5.1
Import	6.45	6.10	5.7
Export	8.22	5.87	40.1
Consumption	72.52	68.80	5.4
Source: JPC ;*provisional			

Crude Steel

- Production of crude steel during April-January 2017-18 was at 84.677 million tonnes (mt), a growth of 4.5% compared to same period of last year.
- SAIL, RINL, TSL, ESSAR, JSWL & JSPL produced 48.975 mt during this period, which was a growth of 6.8% compared to last year. The rest i.e. 35.702 mt was the contribution of the Other Producers, which was a growth of 1.5% compared to last year.
- Overall crude steel production in January 2018 (9.028 mt) was up by 2.6 per cent over December 2017 and was up by 2.5 per cent over January 2017.

Production for sale

- During April-January 2017-18, production for sale stood at 88.369 mt, a growth of 5.1 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 80.285 mt (up by 4 per cent), while the rest was the contribution of the alloy steel segment (including stainless steel) where production for sale was up by 17.3 per cent.
- Analyzing by broad divisions, in the total production for sale of finished non-alloy steel, contribution of the non-flat segment stood at 37.086 mt (up by 1.8 per cent) while that of the flat segment stood at 43.199 mt (up by 5.9 per cent).
- Analyzing by segments, one finds that in the non-flat, non-alloy segment, production for sale of bars & rods, structurals and railway materials stood respectively at 29.26 mt (up by 1.4 per cent), 6.8 mt (up by 1.3 per cent) and 1.03 mt (up by 22 per cent).
- On the other hand, for the flat segment, production for sale was up for items like Plates (4.2 mt, up by 10.4 per cent) and HRC (21.4 mt, up by 8.3 per cent) but was down for CRC (6.95 mt, down by 2.8 per cent) and GP/GC Sheets (6.3 mt; down by 2.9 per cent).
- Production for sale stood at 9.32 mt in January 2018, up by 4.1 per cent over December 2017 and was up by 3.2 per cent over January 2017.

Export

- Exports stood at 8.22 mt during April-January 2017-18, a growth of 40.1 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 7.424

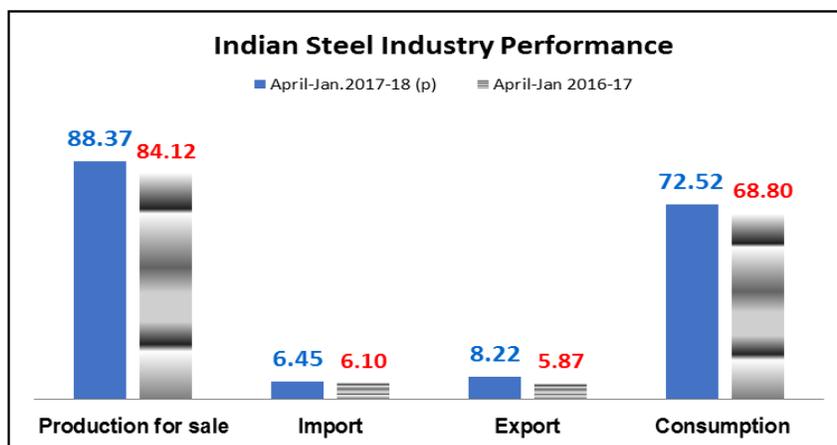
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- mt (growth of 38 per cent), while the rest was the share of the alloy steel segment (including stainless steel) where exports were up by 66.1 per cent.
- In the total export of finished non-alloy steel, export of non-flat was at 2.093 mt (up by 221 per cent) and that of flat steel was at 5.331 mt (up by 13 per cent).
 - In the non-alloy, non-flat segment, in volume terms, major contributor to export was bars & rods (1.89 mt, up by 285 per cent) while growth in exports in the non-alloy, flat segment was led by HRC (2.34 mt, up by 41.5 per cent).
 - Exports stood at 0.612 mt in January 2018, down by 36.5 per cent over December 2017 and was down by 31.2 per cent over January 2017.

Import

- Imports stood at 6.453 mt during April-January 2017-18, a growth of 5.8 per cent compared to last year, in which contribution of the non-alloy steel segment stood at 4.819 mt (growth of 7.8 per cent), while the rest was the share of the alloy steel segment (including stainless steel) where imports were up by 0.2 per cent.
- In the import of total finished non-alloy steel, non-flat imports were at 0.26 mt (down by 41 per cent) and flat imports were at 4.6 mt (up by 13.3 per cent).
- In the non-alloy, non-flat segment, major contributor to import was bars & rods (0.21 mt, down by 39 per cent) while for the flat segment, import was led by HRC (1.48 mt; down by 8.5 per cent).
- Imports stood at 0.356 mt in January 2018, down by 37 per cent over December 2017 and was down by 41 per cent over January 2017.
- Such trends in export-import implied that for total finished steel, India was a net exporter in both January 2018 as well as in April-January 2017-18.

Consumption

- During April-January 2017-18, consumption of total finished steel stood at 72.519 mt, a growth of 5.4 per cent over same period of last year.
- For non-alloy steel, contribution of the non-flat segment stood at 35.437 mt, up by 3.2 per cent over same period of last year and that of the flat segment (after accounting for double counting) stood at 30.802 mt, up by 8 per cent over same period of last year, taking total non-alloy consumption (after double counting) to 66.239 mt, up by 5.3 per cent. The remainder was the contribution of the alloy/stainless segment, which reported a growth of 7 per cent during this period.
- In the non-alloy, non-flat segment, the major contributor to consumption was bars & rods (27.93 mt; up by 4 per cent) whereas for the flat segment, consumption was led by HRC (20.51 mt, up by 6 per cent).
- Consumption stood at 7.651 mt in January 2018 was up by 0.4 per cent over December 2017 and was up by 7.2 per cent over January 2017.



JPC Market Prices (Retail)

Delhi market prices: Compared to January 2017, average (retail) market prices in Delhi market in January 2018 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm), largely in response to domestic demand-supply conditions and global influences. When compared to December 2017, the trend was the same as above for prices of HRC and TMT both. The situation in January 2018 with regard to January 2017 is shown in the table below for TMT 10 mm and HRC 2.0 mm.

Trends in JPC market price (retail) in Delhi market in January 2018		
Item	Delhi market prices (Rs/t)	% change over January 2017
TMT, 10 mm	49,470	24.2
HRC, 2.0 mm	53,690	24.9

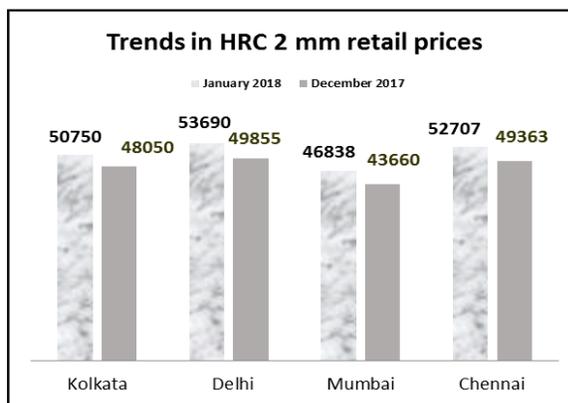
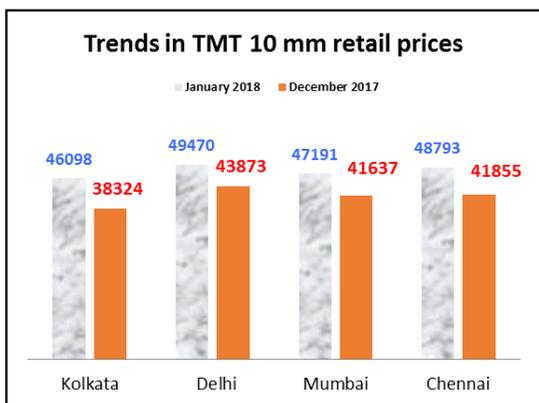
Source: JPC

All markets: Compared to January 2017, average (retail) market prices in January 2018 increased for both long products (represented by TMT 10 mm) and flat products (represented by HRC 2 mm) across markets. The trends were exactly the same for both TMT and HRC when compared to December 2017. The situation in January 2018 with regard to January 2017 is shown in the table below for TMT 10 mm and HRC 2.0 mm for all the four markets.

Trends in JPC (retail) market price: %change in January 2018 over January 2017				
Item	Kolkata	Delhi	Mumbai	Chennai
TMT 10mm	27.8	24.2	22.5	27.9
HR Coils 2.00mm	6.6	24.9	4.9	14.5

Source: JPC

TMT prices were highest in the Delhi market (Rs 49,470/t) and lowest in the Kolkata market (Rs 46,098/t) while HRC prices were highest in the Delhi market (Rs 53,690/t) and lowest in Mumbai market (Rs 46,838/t) during January 2018.



INDIAN ECONOMY – HIGHLIGHTS OF PERFORMANCE

GDP: The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation has released the estimates of Gross Domestic Product (GDP) for the second quarter (July-September) Q2 of 2017-18, both at constant (2011-12) and current prices. As per the report, GDP at constant (2011-12) prices in Q2 of 2017-18 is estimated at Rs. 31.66 lakh crore, as against Rs. 29.79 lakh crore in Q2 of 2016-17, showing a growth rate of 6.3 per cent. Quarterly GVA at Basic Price at constant (2011-12) prices for Q2 of 2017-18 is estimated at Rs. 29.18 lakh crore, as against Rs. 27.51 lakh crore in Q2 of 2016-17, showing a growth rate of 6.1 per cent over the corresponding quarter of previous year. The economic activities which registered growth of over 6 per cent in Q2 of 2017-18 over Q2 of 2016-17 are ‘manufacturing’, ‘electricity, gas, water supply & other utility services and ‘trade, hotels, transport & communication and services related to broadcasting’. The growth in the ‘agriculture, forestry and fishing’, ‘mining and quarrying’, ‘construction’ ‘financial, insurance, real estate and professional services’ and ‘Public administration, defence & other services’ is estimated to be 1.7 per cent, 5.5 per cent, 2.6 per cent, 5.7 per cent and 6 per cent respectively, during this period.

Industrial Production: Provisional CSO data show that the Index of Industrial Production (IIP) under new series was up by 7.1 per cent yoy in December 2017 and by 3.7 per cent during April-December 2017, encouraged by stable growth in most of the leading sectors including Consumer Durables which reported a stable and strong growth after being in the red for long.

Inflation: The annual rate of inflation, based on monthly WPI, stood at 2.84 per cent (provisional) in January 2018 (over January 2017) as compared to 3.58 per cent (provisional) for the previous month. Build-up inflation rate in the financial year so far was 2.3 per cent compared to a build-up rate of 4.55 per cent in the corresponding period of the previous year. The all India CPI inflation rate (combined) for January 2018 stood at 5.07 per cent, compared to 5.21 per cent of the previous month.

Infrastructure Growth: The yoy growth rate of the eight core infrastructure industries was up by 4 per cent in both December 2017 as well as during April-December 2017, encouraged by growth in most sectors except crude oil and fertilizers.

Trade: Provisional figures from DGCI&S show that during April-January 2017-18, in dollar terms, overall exports were up by 11.75 per cent while overall imports were up by 22.21 per cent, both on yoy basis. During the same period, oil imports were valued at US\$ 87807.92 million which was 26.35 per cent higher yoy while non-oil imports were valued at US\$ 291244.15 million, 21.02 per cent higher yoy. Overall trade deficit for April-January 2017-18 is estimated at US\$ US \$ 80215.52 million as compared to US \$ 40021.00 million during April-January 2016-17.

Policy:

- In a major relief to exporters, the government has raised duty drawback rates on 102 items which will make Indian exports more competitive in the global market.
- The DIPP has notified easing of FDI rules for several sectors, including construction.
- Government to soon finalise anti-profiteering guidelines.
- The Housing and Urban Affairs (HUA) Ministry has amended the guidelines of housing scheme for urban areas under Pradhan Mantri Awas Yojana to enhance its coverage.

Prepared by Joint Plant Committee